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Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

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FEDERAL COMMUNICATIONS COMMISSION
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In the Matter of)
)
Implementation of the Non-Accounting)
Safeguards of Sections 271 and 272 of the)
Communications Act of 1934, as amended;)
)
and)
)
Regulatory Treatment of LEC Provision)
of Interexchange Services Originating in)
the LEC's Local Exchange Area)

CC Docket No. 96-149

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REPLY COMMENTS OF BELL ATLANTIC
Regulatory Treatment of Independent LEC Long Distance Services

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September 13, 1996

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**REPLY COMMENTS OF BELL ATLANTIC¹
Regulatory Treatment of Independent LEC Long Distance Services**

I. Summary

The comments on the issue of regulatory treatment of independent local exchange carriers ("LECs") further demonstrate why both Bell operating companies and independent LECs are entitled to nondominant status with minimum separation requirements imposed on their long distance services.

II. Independent LECs and Bell Company Affiliates Should be Regulated as Nondominant Long Distance Providers and Without Unnecessary Separation Requirements

First, as Professor Paul MacAvoy explained, there can be no danger of cross subsidy. For Bell companies and independent LECs alike, the "replacement of rate-of-return by price cap

¹ This filing is on behalf of Bell Atlantic-Delaware, Inc.; Bell Atlantic-Maryland, Inc.; Bell Atlantic-New Jersey, Inc.; Bell Atlantic-Pennsylvania, Inc.; Bell Atlantic-Virginia, Inc.; Bell Atlantic-Washington, D.C., Inc.; and Bell Atlantic-West Virginia, Inc., and Bell Atlantic Communications, Inc.

regulation” has eliminated even the hypothetical argument “that the operating company would have an incentive to ‘pass through’ to local exchange the losses incurred from predatory price reductions in long distance.”² In short, LECs lack economic incentive to cross subsidize “regardless of the size of the LEC.”³

Second, there can be no danger of discrimination by any LEC. “To require dominant firm status and structural separation as a means to prevent alleged, potential discriminatory access perpetuated by incumbent local exchange carriers is backwards policy.”⁴ Any attempt at discrimination would be “apparent to rivals and regulators” alike, and regulators already have exercised their “existing authority” to prevent such discrimination.⁵ To impose new burdens on the long-distance entrant provides no benefit, imposes large regulatory costs on the new competitor, and thereby hurts consumers by undermining efficient competition.

While current regulation of local and access services is adequate protection regardless of the level of local competition, the comments also recognize the presence of increased competition in local markets. “[T]he LECs, including RBOCs and independent LECs, *already* face competition from a variety of companies employing diverse types of transmission technology including coaxial cable, fiber optics, and wireless.”⁶ Indeed, Professor Spulber details the large investment that the

² Statement of Paul W. MacAvoy on Behalf of GTE Service Corp. at 6; attached to Comments of GTE (filed Aug. 28, 1996) (“MacAvoy Statement”).

³ Statement of Daniel F. Spulber on behalf of the United States Telephone Association at 48 (filed Aug. 28, 1996) (“Spulber Statement”).

⁴ MacAvoy Statement at 10.

⁵ *Id.*

⁶ Spulber Statement at 35 (emphasis in original).

major long distance incumbents have made in local and access facilities.⁷ Going forward, the Act opens up unbundled facilities and resold services to allow all long distance incumbents to offer a “bundle of local and long-distance service.”⁸ As the Act recognizes, new entrants to the long distance market must be allowed to offer equivalent services in competition with the incumbents.

As a result of market pressure and regulatory safeguards, there is no need for dominant regulation of *any* LEC-affiliated long distance service, and separation requirements should be minimized. The size of the LEC is irrelevant to the degree of regulation imposed. Thus, there is no economic basis to impose disparate regulatory treatment on a subset of incumbent LECs, regardless of LEC size, or of whether the LEC was (almost 13 years ago) part of the Bell system.⁹

Conclusion


Based on the economic testimony in this docket, the Commission should treat independent LECs and Bell companies with regulatory parity and should therefore regulate their long distance services with nondominant regulation and minimum separation requirements.

⁷ *Id.* at 30-31.

⁸ MacAvoy Statement at 11, n.25.

⁹ The Act imposes certain safeguards exclusively on the Bell companies; however, these safeguards are temporary and should not be expanded in scope or in time. See 47 U.S.C. § 272(f).

Respectfully submitted,


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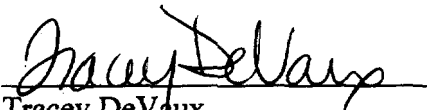
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September 13, 1996

CERTIFICATE OF SERVICE

I hereby certify that on this 13th day of September, 1996 a copy of the foregoing "Reply
Comments of Bell Atlantic" was served on the parties on the attached list.


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